MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2022/2023

BSM3614 – STRATEGY

(All sections/Groups)

14 JULY 2023
9.00 a.m – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 6 pages with 5 questions only.
2. Answer **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

Answer **ALL FIVE (5)** questions.

QUESTION 1

a) "Misha has been working as a sales advisor in selling perfumes for the past 10 years. She is planning to start-up her own perfumes business. She is thinking of using social media commerce as the main platform to build-up her brand name and at the same time looking for distributors to secure the market. As a motivation, she created a vision for her start-up business which is 'strive to be the best'. Nevertheless, she did not plan to have any mission statement since she believes having a vision should be good enough to succeed." As a strategist, assess the need for a new start-up business to have a mission statement. Interpret the key components in a mission statement. (10 marks)

b) Review the following mission statement.

Our mission is to produce and distribute customised perfumes globally to people of all ages. We offer collaboration opportunity to those who are interested in distributing our products. We adapt contemporary technology in producing outstanding perfumes with high quality and long-lasting scents that is specialised to the customers' need and able to sell well. We aim to be an eco-friendly best brand in the world through our valuable team based on our philosophy, "strive to be the best."

Seek the **NINE (9)** mission components in the mission statement. (10 marks)

(Total: 20 marks)

QUESTION 2

a) Perform the Competitor Profile Matrix based on the information provided below. Explain how Company Lime is performing relative to its competitors and provide suggestion to improve itself.

No	Critical Success Factors	Weight	Company Apple	Company Pear	Company Lime
			Rating	Rating	Rating
1	Advertising	0.06	2	4	3
2	Market penetration	0.07	2	3	4
3	Price competitiveness	0.11	2	4	3
4	Customer loyalty	0.11	2	3	4
5	Market share	0.10	3	2	4
6	Product quality	0.12	2	4	3
7	Global expansion	0.09	2	4	3
8	Financial position	0.12	2	3	4
9	Customer service	0.10	3	2	4
10	E-commerce market	0.12	3	4	2
		1.00			

(12 marks)

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b) Resistance to change generally occurs when change is introduced by the management. Discuss the **THREE (3)** methods used to manage change and **ONE (1)** impact to the organisation if change is not managed efficiently. (8 marks)

(Total: 20 marks)

QUESTION 3

The table below presents the Internal and External Factor Evaluation Matrix. Perform the IE matrix analysis for the Company 2Day based on the following information. Calculate the total weighted score and interpret the findings and provide the recommendation.

Opportunities	**Weight**	**Rating**
Strong indicators on economic recovery next year by 4%.	0.11	4
Increasing consciousness on eco-friendly products.	0.11	4
Collaboration with suppliers.	0.06	3
Demand increasing from international market.	0.09	2
Tax incentives by government to promote sustainable operations.	0.10	4
Diversification possibilities.	0.10	4
Threats		
New entrants causing increase in competition.	0.11	2
War causing supply chain disruption.	0.10	2
Government policy on minimum wage implementation.	0.07	3
Cost of materials increasing.	0.08	2
Heavier regulatory control imposed by international bodies.	0.07	2
	1.00	

Strengths	**Weight**	**Rating**
Well-rounded Board of Directors.	0.10	3
Good experience in effective strategic planning.	0.09	4
Efficient brand management.	0.12	4
Ability in sustaining customer base.	0.08	4
Product innovative skills.	0.11	3
Reputable company with several awards.	0.09	3
Good financial record.	0.07	3
Weaknesses		
Cost of production increasing.	0.08	2
Increasing cost in upskilling employees.	0.09	1
Cost of automation is increasing.	0.10	2
Less than expected return in new product sales.	0.08	2
	1.00	

(Total: 20 marks)

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QUESTION 4

Higher operating cost to dampen 7-Eleven's operating margin, says CGS-CIMB

KUALA LUMPUR (March 22): 7-Eleven Malaysia Holdings Bhd (SEM) is expected to face operating margin pressure given the higher operating expenses. In a note on Tuesday (March 21), CGS-CIMB said it expects the convenience store operator to continue bracing for the higher cost impact, partly from the full-year impact of a higher minimum wage of RM1,500, which has been implemented since May 1, 2022.

The higher cost impact also comes from the Employment Act 2022, effective from Jan 1, 2023, which reduced the permissible maximum weekly working hours to 45 hours from 48 hours, and widened the eligibility of overtime payment to employees, with wages up to RM4,000 per month from RM2,000 per month previously, resulting in an estimated RM250,000 hike in expenses per month.

SEM's cost is also on the rise due to longer operating hours, with 1,525 convenience stores (61% of its total store count) operating 24 hours a day, and 580 outlets (23%) operating 18 hours as of March 6, 2023. "These, coupled with inflation cost, which could increase its expansion cost (for example, higher rental cost and renovation cost), could lead to near-term cost escalation, putting pressure on operating margins," said CGS-CIMB.

To mitigate the rising operating cost, the research house noted that SEM is currently optimising its workforce's working shifts to minimise the resulting cost impact. Meanwhile, the research outfit is positive about SEM's store expansion plan to drive growth.

According to SEM, the group plans to open 100 new convenience stores in the financial year ending Dec 31, 2023 (FY2023), especially in suburban areas, focusing on the 7 Café format. CGS-CIMB believes this would bode well for the group's gross profit margin, given the higher sales contributions from higher-margin fresh food and beverage items. It noted that SEM's gross profit margin rose 1.5% year-on-year (y-o-y) to 32.2% in FY2022, due to the opening of 88 new 7 Café stores.

"Also, we gather that SEM has garnered 600,000 users for its My7E loyalty mobile app since August 2022. This could help drive sales, as it ramps up its marketing campaigns in FY2023," the research house added. Apart from convenience stores, SEM also plans to open 35 new Caring pharmacy stores (+16% y-o-y) in FY2023. Overall, CGS-CIMB made no changes to its FY2023-2025 earnings per share estimates, as there were no major surprises from SEM.

To recap, SEM saw its net profit shrink 91% to RM2.65 million for the fourth quarter ended Dec 31, 2022 (4QFY2022), from RM29.44 million a year earlier, dragged by higher operating expenses amid higher store operation-related expenses, followed by longer operating hours and the minimum wage effect, as well as an increase in store maintenance activities. The lower profit was also due to the group's recognised corporate expenses of RM11.6 million in 4QFY2022, primarily consisting of finance costs for the acquisition of Caring Group.

The sharp fall in net profit was despite a 24.82% growth in revenue to RM992.42 million from RM795.06 million for 4QFY2021, driven by revenue contributions from the group's pharmaceutical and convenience stores segments.

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Nonetheless, SEM posted higher annual net profit, as it grew to RM68.63 million for FY2022 from RM44.35 million for FY2021, as revenue increased to RM3.76 billion from RM2.81 billion during the same period.

The research firm revised its target price for SEM to RM2.10, from RM1.72 previously, on improving fundamentals, solid expansion of its convenience store segment, and that Caring is seeing margin recovery.

But CGS-CIMB retained its "hold" recommendation for SEM, as it believes current valuations have already accounted for SEM's earnings trajectory. At the noon break on Wednesday, SEM had risen one sen or 0.49% to RM2.05 a share, giving the group a market capitalisation of RM2.53 billion. Since the beginning of this year, the stock has gained 15.8% from RM1.77.

Source: Surin Murugiah (2023), Higher operating cost to dampen 7-Eleven's operating margin, says CGS-CIMB, The Edge Markets, https://www.theedgemarkets.com/node/660222

Discuss the Strengths, Weaknesses, Opportunities and Threats for 7-Eleven. Provide **FOUR (4)** points for each category of analysis. (Total: 20 marks)

QUESTION 5

Keurig Dr. Pepper and Nutrabolt announce strategic partnership

BURLINGTON, Mass. and FRISCO, Texas and AUSTIN, Texas, Dec. 8, 2022 /PRNewswire/ -- Keurig Dr Pepper Inc. (NASDAQ: KDP) and Nutrabolt today announced a strategic partnership, including a definitive agreement for a long-term sales and distribution arrangement that leverages KDP's powerful go-to-market capabilities and a significant equity investment that enables KDP to participate in the value creation upside expected to be created through the strategic partnership. The equity investment is expected to close by year-end.

Under the long-term sales and distribution agreement, KDP will sell and distribute C4® Energy in the vast majority of KDP's company-owned direct store distribution territories, which is expected to meaningfully increase retail availability and household penetration for the brand. Nutrabolt will continue to distribute C4® Energy directly or through its existing distribution network to the specialty, health club and fitness channels and will continue to work with some of its existing beverage distributors in certain markets.

KDP will make a cash investment in Nutrabolt of $863 million, or approximately $740 million net of anticipated cash tax benefits, in exchange for preferred equity with a 5% annual coupon paid in cash or in-kind. The investment provides KDP with an ownership stake of approximately 30%, making KDP the largest investor in Nutrabolt behind its Founder, Chairman and CEO, Doss Cunningham. Net of the anticipated cash tax benefits, the investment represents a multiple below 4x estimated 2023 net sales, which are expected to be above $650 million. KDP also has the opportunity to earn additional equity tied to in-market execution and will have representation on the Nutrabolt board. In addition, the partnership provides KDP with rights to further increase its ownership stake under various capital raising scenarios.

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Commenting on the announcement, Chairman and CEO Bob Gamgort stated, "This partnership represents a win-win transaction between our two companies. KDP gains significant presence in the rapidly growing performance energy drink market and Nutrabolt gains access to a strategic investor with extensive sales and distribution capabilities to further accelerate its growth. We believe that bringing together the resources, talent and expertise of both companies will accelerate innovation and growth and drive significant value creation over time."

Cunningham said, "We are extremely proud of this business and the team members who built it from the ground up and, with the assets and experience that KDP brings to the table, we are more confident than ever about the direction of the company and our vision for the future. This strategic partnership will supercharge C4 Energy's current growth trajectory by accelerating household penetration, enhancing distribution and strengthening our overall commercial capabilities. We will also be partnering with a talented and ambitious leadership team who shares our values, our competitive spirit and has a similar philosophy of disciplined growth and maximizing overall value creation."

"Over the past 20 years, Nutrabolt has grown from a bootstrap startup to become one of the fastest growing global active health and wellness companies in the world," Cunningham continued. "This is an amazing moment for our company, and it is because of the incredible contributions of our team members, commercial partners and those who have financially backed us over the years, namely MidOcean Partners, and CPG veterans and equity investors Brian Goldberg and Clayton Christopher."

The transition of C4® Energy distribution to KDP will occur during 2023, which is expected to be a transition and investment year, with limited impact on KDP financial results until 2024, when KDP expects the strategic partnership to become accretive to its financial results.

About Keurig Dr Pepper
Keurig Dr Pepper (KDP) is a leading beverage company in North America, with annual revenue approaching $13 billion and approximately 27,000 employees. KDP holds leadership positions in soft drinks, specialty coffee and tea, water, juice and juice drinks and mixers, and markets the #1 single serve coffee brewing system in the U.S. and Canada. The Company's portfolio of include more than 125 owned, licensed and partner brands.

About Nutrabolt
Nutrabolt is a fast-growing, global active health and wellness company with a portfolio of market leading performance-oriented brands that energize and fuel active lifestyles. The company's disruptive and innovative products compete in the Functional Beverage and Active Nutrition segments, under three consumer-loved brands: C4® (one of the fastest-growing energy drink brands in the United States and the #1 selling global pre-workout brand), XTEND® (the #1 post-workout recovery brand in the United States), and Cellucor® (an award-winning sports nutrition brand created in 2002).

Source: https://www.prnewswire.com/news-releases/keurig-dr-pepper-and-nutrabolt-announce-strategic-partnership-including-a-long-term-sales-and-distribution-agreement-and-equity-investment-by-kdp-301698092.html

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a) Discuss the type of cooperative strategy between Keurig Dr. Pepper and Nutrabolts. Justify your answer with supporting points. (6 marks)

b) What are benefits and risks for each partner in this partnership? Provide **ONE (1)** benefit and **ONE (1)** risk for Keurig Dr. Pepper as well as for Nutrabolts. (14 marks)

(Total: 20 marks)

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